

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

STATUTORY REVIEW OF THE SYSTEM)
FOR REGULATING RATES AND CLASSES) Docket No. RM2017-3
FOR MARKET DOMINANT PRODUCTS)

**MOTION OF
MPA—THE ASSOCIATION OF MAGAZINE MEDIA
AND ALLIANCE OF NONPROFIT MAILERS
FOR ISSUANCE OF INFORMATION REQUESTS**

(January 17, 2017)

Pursuant to 39 C.F.R. § 3001.21(a), the undersigned parties respectfully request that the Presiding Officer or the Commission issue the questions stated in this motion as information requests to the United States Postal Service. The requested information is necessary to an informed analysis of whether the current regulatory system has achieved Objectives 1, 5 and 8 (39 U.S.C. §§ 3622(b)(1), (5), and (8), and Factors 11 and 14 (39 U.S.C. §§ 3622(c)(11) and (14)).

The first two sets of questions concern the Postal Service's postretirement liabilities and the current (market) value of the Postal Service's real estate assets, and seek information necessary to put the Postal Service's long-term financial stability into proper perspective. We understand that some of the requested information on the Postal Service's postretirement liabilities originated at the Office of Personnel Management ("OPM"). However, the Postal Service should have this information in its possession or could request the information from OPM. None of the mailers will have access to this information unless the Postal Service produces it. Accordingly, discovery

of the information is essential for the mailers to have an adequate opportunity to comment on these important factual questions.

The third and fourth sets of questions seek information that is necessary an informed assessment of the efficiency of certain major expense categories—in terms of 39 U.S.C. § 3622, whether the system has “maximize[d] incentives to reduce costs and increase efficiency” (Objective 1), and whether imposing above-CPI rate increases on market-dominant products would be “just and reasonable” (Objective 8), particularly in light of “the need for the Postal Service to increase its efficiency and reduce its costs” (Factor 11). The third set of questions seek information relating to the Postal Service’s compliance with the pay comparability policy of 39 U.S.C. §§ 101(c) and 1003 (incorporated by reference in Factor 14). The fourth set of questions seek information relating to the decision-making process that led to the deployment of the Flats Sequencing System (“FSS”), and the costs resulting from those decisions. As with the first and second sets of questions, production of the requested information by the Postal Service is critical for mailers to have an adequate opportunity to comment in this docket.

Valuation of the Postal Service’s Future Liabilities to Retirees

1. Please refer to page 25 of the FY 2016 Postal Service’s 10-K, which shows the Postal Service’s CSRS actuarial liability as of September 30, 2015 to be \$194.1 billion.
 - a. Please confirm that this actuarial liability estimate reflects the present value of CSRS benefits that had been earned by employees through the end of FY 2015, but not yet paid. If not confirmed, please explain fully.

- b. Please provide, in an electronic spreadsheet format, the Postal Service's CSRS "Total Benefit Payments" estimates by year for all future years that underlie the actuarial liability estimate of \$194.1 billion.
 - c. Please also provide, in an electronic spreadsheet format, the calculation of the \$194.1 billion actuarial liability from the "Total Benefit Payments" estimates by year.
 - d. If (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions had been used in calculating this CSRS actuarial liability, what would the liability have been as of September 30, 2015?
 - e. Please provide the same information in the same format as requested in subparts (b) and (c) of this question, but for the actuarial liability estimates based upon (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions.
2. Please refer to page 25 of the FY 2016 USPS 10-K, which shows the Postal Service's CSRS actuarial liability as of September 30, 2016 to be \$191.9 billion.
- a. Please confirm that this actuarial liability estimate reflects the present value of CSRS benefits that had been earned by employees through the end of FY 2016, but not yet paid. If not confirmed, please explain fully.

- b. Please provide, in an electronic spreadsheet format, the Postal Service's CSRS "Total Benefit Payments" estimates by year for all future years that underlie the actuarial liability estimate of \$191.9 billion.
 - c. Please also provide, in an electronic spreadsheet format, the calculation of the \$191.9 billion actuarial liability from the "Total Benefit Payments" estimates by year.
 - d. If (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions had been used in calculating this CSRS actuarial liability, what would the liability as of September 30, 2016 have been?
 - e. Please provide the same information as requested in subparts (b) and (c) of this question, but for the actuarial liability estimates based upon (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions.
3. Please refer to page 25 of the FY 2016 USPS 10-K, which shows the Postal Service's FERS actuarial liability as of September 30, 2015 to be \$109.0 billion.
- a. Please confirm that this actuarial liability estimate reflects the present value of FERS benefits that had been earned by employees through the end of FY 2015, but not yet paid. If not confirmed, please explain fully.

- b. Please provide, in an electronic spreadsheet format, the Postal Service's FERS "Total Benefit Payments" estimates by year for all future years that underlie the actuarial liability estimate of \$109.0 billion.
 - c. Please also provide, in an electronic spreadsheet format, the calculation of the \$109.0 billion actuarial liability from the "Total Benefit Payments" estimates by year.
 - d. If (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions had been used in calculating this FERS actuarial liability, what would the liability as of September 30, 2015 have been?
 - e. Please provide the same information as requested in subparts (b) and (c) of this question, but for the actuarial liability estimates based upon (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions.
4. Please refer to page 25 of the FY 2016 USPS 10-K, which shows the Postal Service's FERS actuarial liability as of September 30, 2016 of \$115.9 billion.
- a. Please confirm that this actuarial liability estimate reflects the present value of FERS benefits that had been earned by employees through the end of FY 2016, but not yet paid. If not confirmed, please explain fully.

- b. Please provide, in an electronic spreadsheet format, the Postal Service's FERS "Total Benefit Payments" estimates by year for all future years that underlie the actuarial liability estimate of \$115.9 billion.
 - c. Please also provide, in an electronic spreadsheet format, the calculation of the \$115.9 billion actuarial liability from the "Total Benefit Payments" estimates by year.
 - d. If (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions had been used in calculating this FERS actuarial liability, what would the liability as of September 30, 2016 have been?
 - e. Please provide the same information as requested in subparts (b) and (c) of this question, but for the actuarial liability estimates based upon (i) USPS-specific demographic assumptions; and (ii) USPS-specific economic and demographic assumptions.
5. Please refer to page 27 of the FY 2016 USPS 10-K, which shows the Postal Service's retiree health actuarial liability as of September 30, 2016 of \$104.0 billion.
- a. Please confirm that this actuarial liability estimate reflects the present value of the annuitant premium payments that have been earned, but not yet paid. If not confirmed, please explain fully.

- b. Please provide, in an electronic spreadsheet format, the Postal Service's annuitant premium payments by year for all years that underlie this actuarial liability estimate.
 - c. Please also provide, in an electronic spreadsheet format, the calculation of the \$104.0 billion actuarial liability from the annuitant premium payments by year.
- 6. Please produce all studies, analyses and data created since January 1, 2014, quantifying or estimating the effect of replacing the current demographic and economic assumptions underlying current OPM estimates of the Postal Service's liability to its retirees with USPS-specific demographic and economic assumptions. The assumptions covered by this question include, but are not limited to, projected mortality and morbidity rates and the projected future growth in Postal Service wages and benefits per hour or per employee.
- 7. Please confirm that the data in the following table accurately reflects the composition of CRA cost component No. 202, Annuitant Health Benefits – Earned (Current). If you do not confirm this without qualification, please provide the accurate figures for the Annuitant Health Benefits – Normal Cost and the CSRS Earned Pension Benefits in the same format as the table.

Component No. 202 - Current Year CSRS Earned Benefits and RHB

	FY 2015	FY 2016
Annuitant Health Benefits - Normal Cost	2,852,000	2,755,000
CSRS Earned Pension Benefits	481,811	422,847
Total Component No. 202	3,333,811	3,177,847

Source: Total Component No. 202:

FY 2015: Docket No. ACR2015 Library Reference USPS-FY15-31

FY 2016: Docket No. ACR2016 Library Reference USPS-FY16-31

Annuitant Health Benefits - Normal Cost:

FY 2016 USPS Form 10-K at 27

CSRS Earned Pension Benefit:

By subtraction - Total component cost less Annuitant Health Benefits - Normal Cost

8. In FY 2017, the funding of Annuitant Health Benefits changes to an actuarial funding mechanism including the payment of the Normal Cost and the annual amortization of the unfunded liability for Annuitant Health Benefits. In addition, the Postal Service is currently charging expenses for the amortized payment of the CSRS unfunded liability. See Unaudited Financial Statements for October and November, 2016, filed with the PRC, November 15, 2016 and December 23, 2016, respectively.
- Please explain how the Postal Service plans to account for these costs in the FY 2017 Cost and Revenue Analysis (CRA).
 - Please explain how the planned methodology differs from the current one used to prepare the FY 2016 CRA.
 - Please illustrate the planned methodology in a spreadsheet showing (i) the cost components that will be affected; and (ii) how the total costs for

the Annuitant Health Benefits and the Amortized CSRS Unfunded Liability payment will be accounted for in future CRAs.

Valuation of the Postal Service's Real Estate

9. Please refer to the second table on page 50 of the Postal Service's 10-K report for Fiscal Year 2016.
 - a. Please disaggregate the "Less: Accumulated depreciation and amortization" and "Construction in progress" lines by (i) Buildings, (ii) Equipment, (iii) Vehicles, (iv) Land; and (v) Leasehold improvements
 - b. Please provide all studies, analyses, or reports performed by or for the Postal Service since January 1, 2007, concerning the market values of Postal Service buildings and land, or the extent to which the market values differ from values of the property recorded by the Postal Service on its financial books.
 - c. Please provide a list and description of all ongoing studies, analyses, or reports on this topic and any findings from these studies.
 - d. Please provide a list and description of all planned or expected studies, analyses, or reports on this topic.
 - e. Please provide a list of all buildings owned by the Postal Service. For each building, please provide the address, square footage, depreciated book cost and estimated current market value of the building and land.

10. Please provide a list of all buildings that the Postal Service has sold or entered into lease-back arrangements for in the past decade. For each building, please provide the address, the sale price, and the depreciated value of the building and land at the time of the sale.

The Pay Comparability Requirement

11. Please provide (i) the percentage change in average hourly compensation (systemwide and, if available, by craft) underlying the FY 2017 Integrated Financial Plan and all inputs and calculations; and (ii) projections of the same information for FY 2018 and FY 2019.
12. Please produce all studies, analyses, or reports performed by or for the Postal Service since January 1, 2012, concerning the extent of any compensation premium for any group of Postal Service employees.
13. Please provide the quit rates of Postal Service employees, disaggregated by craft or union and by career vs. non-career employees, for each year since Fiscal Year 2007.

The Flats Sequencing System (“FSS”)

14. Please refer to the Flat Sequencing System (“FSS”) Scorecard Performance Metrics appearing in this table on page 28 of the FY 2016 Annual Compliance Report:

Performance Metric	FY 15	FY 16
Throughput per hour (pph)	8,840	8,326
Delivery Point Sequence (DPS)	59.99%	56.73%
Mail Pieces At-Risk	5.34%	5.67%

Please also refer to the FY 2015 and FY 2016 “Direct Piece” mail processing and delivery costs of Machinable Automation FSS and Carrier Route Basic Periodicals Outside County flats appearing in this table:

Mail Preparation	FY 15	FY 16
Machinable Automation FSS	\$0.296	\$0.314
Carrier Route Basic	\$0.132	\$0.130

Source: USPS-FY15-3 and USPS-FY16-3

- a. Please confirm that the tables above accurately represent USPS data filed in Docket Nos. ACR2015 and ACR2016. If not confirmed, please provide corrected versions of the table.
- b. Please produce (i) all Decision Analysis Reports (DARs) prepared by or for the Postal Service for FSS and (ii) all models used in preparing the DARs.
- c. Please produce all pre-deployment Postal Service presentations to the mailing industry regarding FSS.

- d. Please produce (i) all USPS analyses of the actual costs, savings, and return on investment of FSS and (ii) all underlying data and models used to evaluate the financial performance of this investment.
- e. Please confirm that the Postal Service has no plans to discontinue the use of FSS to sort flats. If not confirmed, please explain fully.

CONCLUSION

The undersigned parties respectfully request that the Presiding Officer direct the Postal Service to answer the above questions.

Respectfully submitted,



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